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St. Cloud Area Quarterly Business Report Vol. 19, No. 4

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ST. CLOUD AREA

VOL. 19, ISSUE 4 · SUNDAY, DEC. 10, 2017

Quarterly Business Report

Every three months two St. Cloud State University economists analyze the latest business and worker data as well as the results from a survey of local business leaders. The result is the St. Cloud Area Quarterly Business Report. It has been published four times a year since 1999.

ABOUT THE AUTHORS

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King Banaian specializes in analyzing data and writing about it in the second portion of this report. Rich MacDonald collects and analyzes responses to the St. Cloud Area Business Outlook Survey, covered in an early portion of the report. Only MacDonald has access to the confidential list of surveyed businesses and the returned surveys. Questions about the survey can be directed to him. Special questions asked in the survey may at times deal with public policy but do not reflect a political agenda of either of the authors.

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School of Public Affairs Research Institute
St. Cloud State University

Inside

ONLINE

The St. Cloud Area Quarterly Business Report has been produced four times each year since January 1999. Electronic access to all past editions of the QBR is available at http://repository.stcloudstate.edu/scqbr

STEADY GROWTH CONTINUES AS FUTURE OUTLOOK REMAINS STRONG

St. Cloud-area businesses continue to experience steady growth, and the local six-month-ahead economic outlook remains strong. Payroll data indicates overall St. Cloud metropolitan area employment grew at a 1.6 percent annual rate over the year ending October 2017. The construction sector once again led local job growth, followed by strong gains in wholesale trade and the educational and health sector employment. The financial activities, information, government, transportation/warehousing/utilities and retail trade sectors all experienced year-over-year job losses. The leading economic indicator series declined slightly over the last quarter. Surveyed firms indicate strong business activity in the current quarter with higher capital expenditures, a lengthening workweek, improved national business conditions and increased difficulty attracting qualified workers.

KEY TAKEAWAYS

1 Private sector payroll employment in the St. Cloud area rose by 2 percent from one year earlier in the 12 months through October 2017. Compared to one year ago, 1,863 more people appeared on private sector payrolls in October. At 2.3 percent, the October unemployment rate in the St. Cloud area is the lowest recorded value since the final months of 1999! The local labor force expanded by 1,587 over the past year (a 1.4 percent increase).

2 Employment in the health and educational sector grew by 5.4 percent over the year ending October 2017. This sector now accounts for 20.6 percent of area employment. Local mining/logging/construction sector (most of this sector is construction locally) annual employment jumped 9.2 percent, and job growth in the wholesale trade sector was 4.5 percent at an annual pace. Similar to last quarter, the employment gains in area construction and wholesale trade are much larger than are being experienced elsewhere in the state. Manufacturing employment rose 0.5 percent over the year ending October 2017. This sector now accounts for 13.6 percent of all local jobs. Sectors experiencing job gains represented 64.8 percent of area employment over the past year. Job loss occurred in 35.2 percent of the area's employment sectors, highlighted by a 1.3 percent decline in retail trade employment (this sector accounts for 12.1 percent of local jobs). The transportation/warehousing/utilities sector shed 4.7 percent of its employment over the past year.

3 The St. Cloud Index of Leading Economic Indicators fell by 0.9 percent in the August - October 2017 period as each of the series' four indicators were largely unchanged. The St. Cloud 13 Stock Price Index rose 5.3 percent during the quarter, and is up 14.5 percent for the year through November. The S&P 500 has risen 13.9 percent in the same 11 months.

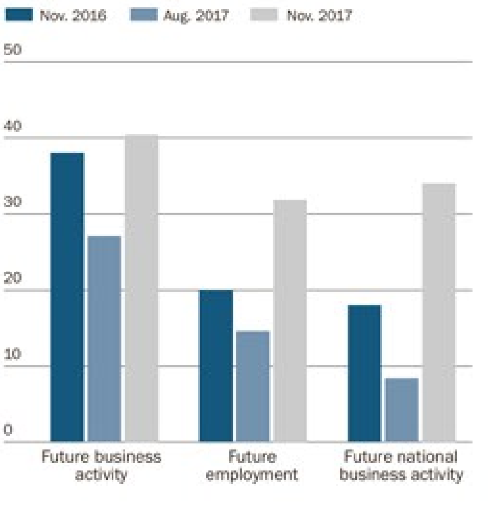
4 The future outlook of those area businesses responding to the St. Cloud Area Business Outlook Survey is strong. Forty-nine percent of surveyed firms expect an increase in business activity over the next six months, while only 9 percent expect decreased activity. Thirty-four percent of surveyed firms expect to expand payrolls by May and 64 percent anticipate higher employee compensation. Most readings from the future outlook survey are stronger than one year ago (last year's survey was conducted right after the election), although planned capital spending is considerably weaker than one year ago. Only 23 percent of firms expect to increase their purchases of equipment, machinery and structures over the next six months. Thirty-eight percent of surveyed firms expect increased future difficulty attracting qualified workers by May.

5 Fifteen percent of surveyed firms report that more than half of their workforce is aged 55 or older. Another 21 percent of firms have between 25 percent and 50 percent of their workers in this age group. Thirty percent of survey respondents have less than 10 percent of their employees in the aged 55 and over category. Nearly one half of surveyed firms are either not concerned or slightly concerned about replacing retiring workers over the next several years. However, 44 percent of firms express moderate or great concern about replacing retiring workers and this is the "greatest concern" for 6 percent of surveyed companies. Only 17 percent of surveyed firms have initiated special programs to replace retiring workers.

Concrete is pumped into the forms for the footings of the commons area Tuesday, Nov. 28, at the site of the new Technical High School. Recently, the employment gains in area construction and wholesale trade are much larger than what's happened elsewhere in the Minnesota. JASON WACHTER, JWACHTER@STCLOUDTIMES.COM

New St. Cloud Index of Leading Economic Indicators

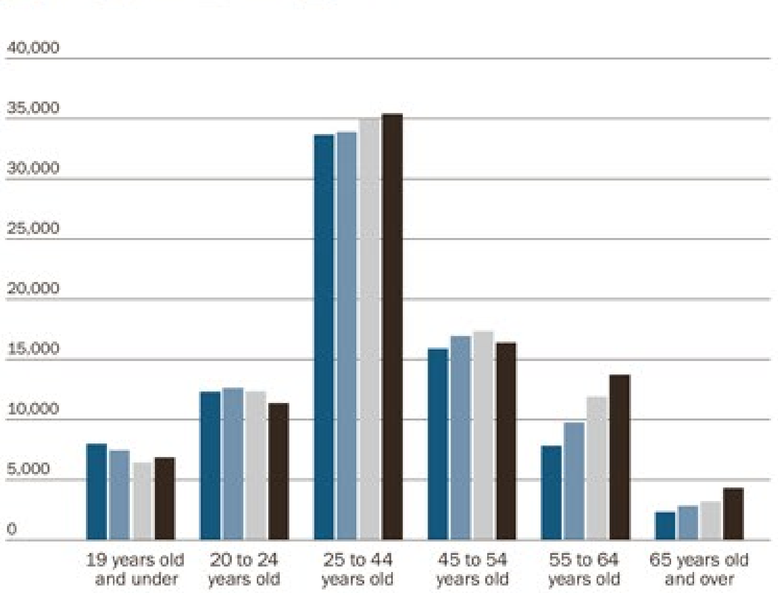
Key survey results



LOOKING AT OLDER AND YOUNGER GROUPS TO FIND WORKERS

Stearns County labor force by age

Selected years



The theme of this report, and of our community for the last few years, has been the reappearance of a worker shortage the likes of which we have not seen since the late 1990s. At that time, the population growth rate was around 1.2 percent, according to the 1990 and 2000 Censuses. It is barely half that now.

Recently DEED released data that allows researchers to see demographic characteristics of the labor force. The most interesting to our question has been the labor force by age.

As readers are aware, the population of the St. Cloud area is getting older. Also, younger people are more inclined to get additional schooling after high school than 20 or 30 years ago, so the labor force participation rate for this group is falling. Until this new data, we were not able to say anything about the local market in this regard except for the Census every 10 years. Now we have better information, thanks to DEED's work.

On the first table nearby we can see the level of workers in each of six age groups in Stearns County (we choose to focus only on one county; the story for Benton is quite similar.) The shift in the age distribution of the workforce is evident. In 2004, 1 in 10 workers were teenagers; now that is almost 1 in 13. A smaller shift has happened in workers ages 20 to 24.

See WORKERS, Page 6I

SURVEY RESULTS: STANDARD QUESTIONS

SURVEY RESULTS FOR STANDARD QUESTIONS

Current capital expenditures

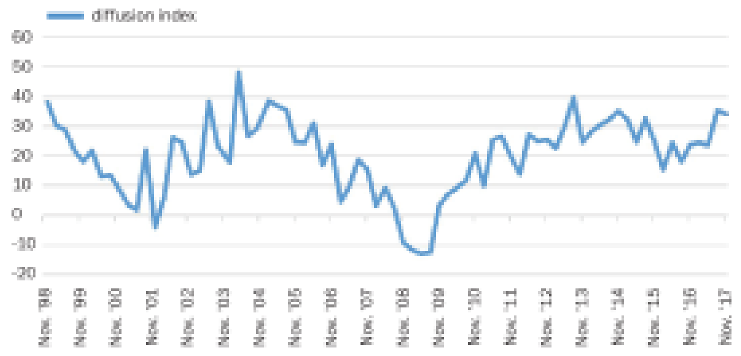


Table 1: Current business conditions

St. Cloud Area Business Outlook Survey Summary, November 2017

What is your evaluation of:	November 2017 vs. three months ago: Percentage decrease	No change	Percentage increase	Diffusion index[3]	August 2017 diffusion index[3]	November 2016 diffusion index[3]
Level of business activity for your company	14.9	42.6	42.6	27.7	35.5	34.0
Number of employees on your company's payroll	8.5	63.8	27.7	19.2	23.0	8.0
Length of the workweek for your employees	4.3	74.5	21.3	17.0	25.0	6.0
Capital expenditures (equipment, machinery, structures, etc.) by your company	2.1	61.7	36.2	34.1	35.4	24.0
Employee compensation (wages and benefits) by your company	2.1	63.8	34.0	31.9	52.1	44.0
Prices received for your company's products	4.3	72.3	21.3	17.0	16.6	12.0
National business activity	4.3	55.3	29.8	25.5	16.6	6.0
Your company's difficulty attracting qualified workers	0	51.1	44.7	44.7	45.8	30.0

Notes: (1) reported numbers are percentages of businesses surveyed. (2) rows may not sum to 100 because of "not applicable" and omitted responses. (3) diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. A positive diffusion index is generally consistent with economic expansion.

Source: SCSU School of Public Affairs Research Institute

Table 2: Future business conditions

St. Cloud Area Business Outlook Survey Summary, November 2017

What is your evaluation of:	Six months from now vs. November 2017: Percentage decrease	No change	Percentage increase	Diffusion index[3]	August 2017 diffusion index[3]	November 2016 diffusion index[3]
Level of business activity for your company	8.5	40.4	48.9	40.4	27.1	38.0
Number of employees on your company's payroll	2.1	61.7	34.0	31.9	14.6	20.0
Length of the workweek for your employees	6.4	74.5	17.0	10.6	10.4	-2.0
Capital expenditures (equipment, machinery, structures, etc.) by your company	4.3	70.2	23.4	19.1	18.7	36.0
Employee compensation (wages and benefits) by your company	0	34.0	63.8	63.8	54.2	64.0
Prices received for your company's products	4.3	59.6	31.9	27.6	25.0	34.0
National business activity	0	51.1	34.0	34.0	8.4	18.0
Your company's difficulty attracting qualified workers	2.1	51.1	38.3	36.2	33.3	32.0

Notes: (1) reported numbers are percentages of businesses surveyed. (2) rows may not sum to 100 because of "not applicable" and omitted responses. (3) diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. A positive diffusion index is generally consistent with economic expansion.

Source: SCSU School of Public Affairs Research Institute

CURRENT ACTIVITY

Tables 1 and 2 report the most recent results of the St. Cloud Area Business Outlook Survey. Responses are from 47 area businesses that returned the recent mailing in time to be included in the report. Participating firms are representative of the diverse collection of businesses in the St. Cloud area. They include retail, manufacturing, construction, financial, health services, and government enterprises both small and large. Survey responses are strictly confidential. Written and oral comments have not been attributed to individual firms.

While the current activity found in Table 1 is somewhat weaker than was reported last quarter (which is a normal seasonal effect), most of the diffusion index numbers from this table are stronger than one year ago. A diffusion index represents the percentage of respondents indicating an increase minus the percentage indicating a decrease in any given quarter. For any given item, a positive index usually indicates expanding activity, while a negative index implies declining conditions. Indexes on employment, length of workweek, capital expenditures, prices received, national business activity, and difficulty attracting qualified workers all compare favorably to one year ago. The readings on current business activity and employee compensation are the only values that are weaker than one year ago. For example, the current business activity index is 27.7, which is somewhat lower than the 34 reading last year. We do note that last November's current business activity index appears to have been buoyed by the election results that preceded the survey, so comparisons to one year ago are particularly challenging.

Diffusion indexes for current employment and length of the workweek remain solid. Thirty-four percent of surveyed firms expanded payrolls over the past three months and the index on length of workweek is the highest recorded in the November survey since 2011. While few companies report reduced payrolls or a shorter workweek, we are keeping an eye on area labor market activity, given recent announcements of the closing of the Crossroads Center Sears store and the elimination of 130 jobs at Capital One 360.

As can be seen in the accompanying chart, the diffusion index on current capital expenditures remains elevated. With interest rates expected to be higher in the future and ongoing difficulty attracting qualified workers, area firms appear to be accelerating their current capital expansion plans. This activity appears to be temporary, since we note that future capital purchases reported in Table 2 are particularly weak.

The current employee compensation index is hard to interpret. At a value of 31.9, this index is the lowest recorded since February 2012 (see accompanying figure). Only 34 percent of surveyed firms report paying higher employee compensation in the last quarter, which is a surprisingly low number given current labor shortages in the region. This pause in wages and salaries appears to be short-lived, since 63.8 percent of firms expect to increase employee compensation in six months' time (see Table 2).

The current prices received index is little changed from last quarter. Nearly three-quarters of surveyed firms report no change in prices received over the past three months. National business conditions continued to improve in the past quarter as the index on this survey item rose to 25.5. Finally, as can be seen in the accompanying chart, the diffusion index on current worker shortages remains at historically high levels. The last time we saw these kinds of local worker shortages was in 1999, a time at which the local unemployment rate was comparable to the current rate of 2.3 percent. Forty-five percent of surveyed firms report increased difficulty attracting qualified workers in the current quarter, and no firms had less difficulty finding workers. There seems to be no relief in sight for area firms who wish to attract qualified workers.

As always, firms were asked to report any factors that are affecting their business. These comments include:

» Government gives away too much so people get lazy and would rather sit home and collect money instead of going out and working for it. Our employees work hard and average $40,000 to $70,000 if they work the hours we have available.

» Obamacare.

» Lack of motivated younger workers in our business. Secondary education like tech colleges are not focused on the construction trades and teaching how the real world is on our industry. Not every person in the USA likes to work behind a desk all day, but if training the needed areas is not quality, what do young potential employees do?

» Medical insurance premiums.

» Health care is still a huge issue. With the high cost and high deductibles, our employees are using their insurance a lot less, but our increase this year is still 9 percent.

» People-people-people.

» Many jobs open, competition for talent, slow company response when working with job seekers is a negative to the job seekers we see.

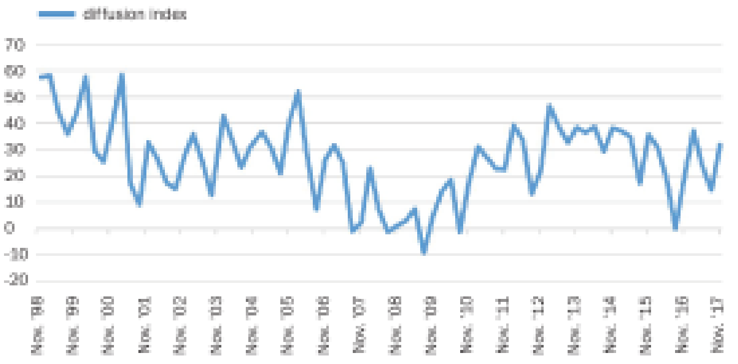
» Economy.

» Low farm prices impacting farm profitability and ability of farmers to reinvest.

» The decrease in activity from three months ago is the seasonality of real estate.

» Workers comp reform to protect employer who are getting hurt by fraudulent workers comp claims — all protection is for employees even if the claims aren't legitimate!

Future employment



Future national business activity

FUTURE OUTLOOK

Table 2 reports the future outlook of area businesses. The six-month ahead outlook is improved from last quarter — a normal seasonal effect — and, with the exception of future capital expenditures, is largely improved from one year ago. With 49 percent of surveyed businesses expecting improved overall business activity by May, the area economic outlook remains solid. The future employment index (see accompanying figure) is well above its reading one year ago, as one-third of area firms expect to expand payrolls by next spring and only one firm plans to shrink its workforce. The index number on length of workweek in Table 2 is little changed from recent quarters as three-fourths of surveyed firms expect no change in the length of the workweek by May 2018.

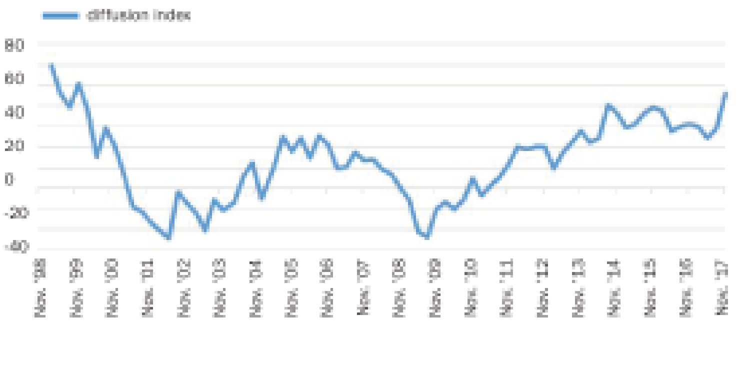
Thirty-two percent of surveyed firms expect prices received to increase by May. Only two firms think future prices will fall. As was noted in last quarter's report, the future prices received index continues to slowly inch up. Contrary to the weak reading from Table 1, expected future employee compensation remains elevated for surveyed firms — 64 percent of firms expect higher wages, salaries and fringe benefits by the second quarter of 2018 and no firms expect employee compensation to fall. The one survey item in Table 2 to keep an eye on is the capital expenditures index. While strong numbers on current capital spending are reported in Table 1, the future outlook of this series may be a concern. This index is considerably lower than it was one year ago and recent readings of area firms' planned capital expenditures suggest somewhat weaker local capital spending can be expected in 2018.

The national business activity outlook was very weak in last quarter's St. Cloud Area Quarterly Business Report. This series rebounded in the current quarter as more than one-third of surveyed firms expect improved national business conditions by next May. As can be seen in the accompanying chart, the value of the future national business activity index rose to 34 this quarter, with no firms expecting weaker national business conditions over the next six months.

Finally, area firms expect continued difficulty attracting qualified workers. Thirty-eight percent of survey respondents anticipate increased difficulty attracting qualified workers by May and only one firm thinks these pressures will decrease. The diffusion index on future difficulty attracting qualified workers has now been elevated for the past several years.

Current employee compensation

Current difficulty attracting qualified workers



Contrary to the weak reading from Table 1, expected future employee compensation remains elevated for surveyed firms — 64 percent of firms expect higher wages, salaries and fringe benefits by the second quarter of 2018 and no firms expect employee compensation to fall.

SURVEY RESULTS: SPECIAL QUESTIONS

SPECIAL QUESTION 1: SHARE OF WORKFORCE 55-PLUS

Approximately what share of your company's workforce is aged 55 or older?

The first wave of the baby boom — those born between the years 1946 and 1964 — reached normal retirement age in 2011. Since that time, a growing share of the working age population has reached age 55 and older (see sidebar on the first page of this report).

Over the years we have heard some area business leaders express concern about anticipated difficulty replacing a growing share of highly skilled workers who are beginning to reach retirement age. These concerns are likely to grow as the regional labor shortage continues to persist. This quarter's special questions are focused on local workers aged 55 and older. Our first question simply asked area firms to report on the share of their workers in this population cohort. We asked:

Approximately what share of your company's workforce is aged 55 or older?

While the majority of surveyed firms report employment of aged 55 and older workers that is less than 25 percent of their workforce, 15 percent indicate more than 50 percent of their workers are in this age group. Another 21 percent of firms have between 25 and 50 percent of their workers aged 55 and older. Comments include:

» (60 percent) of us are older than 55.

» Agency had a turnover two years ago with 25 percent retiring during that time.

» Our field people have very few over 55, office all but two are over 55.

» We have cycled through all the over 55 except me. Have a broad range in ages now. Having a hard time getting the younger ones right out of school because there is none.

» Ours is in many ways a physical job and most of our employees are fairly young.

» In our company of 79, we have 11 Millennials, 31 Gen Xers, 36 Baby Boomers, and 1 Greatest Generation. We are pleased with our mix considering (our industry) was predicted to die out, but is now thriving.

» We tend to attract a younger workforce.

» Profession is shrinking.

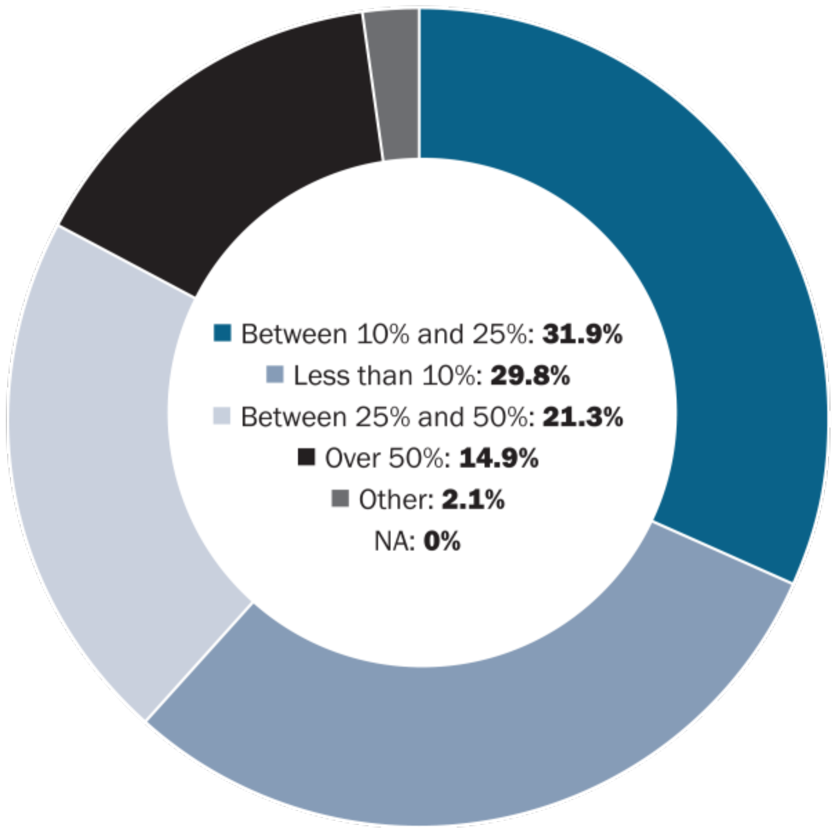
» Four out of 45.

» While we have some key employees who are scheduled to retire in the next 10 years, we have a relatively young workforce.

» Plan to retire in July 2018.

Special Question 1

Approximately what share of your company's workforce is aged 55 or older?



Learn more at QBR Review on Dec. 14

You've read the report. Now get deeper insights and a chance to talk to other decision-makers at the QBR Review.

The free event takes place Dec. 14 at Resource Training & Solutions in Sartell. Economist King Banaian, dean of St. Cloud State University School of Public Affairs, will present findings of the latest report. A key topic will be "Bridging the Generational Gap in the Workforce," a subject addressed in three special questions for the December QBR.

Networking is scheduled for 7:30-8 a.m., with Banaian's presentation from 8–9 a.m.

Get your free ticket at https://tickets.sctimes.com/. You'll find a map there as well.

SPECIAL QUESTION 2: REPLACING RETIRING WORKERS

To what extent is your firm concerned about replacing retiring workers over the next several years?

Since the share of aged 55 and older workers shows considerable variation across area firms, it is not a surprise that survey respondents show differing degrees of concern about replacing retiring workers over the next several years. We asked:

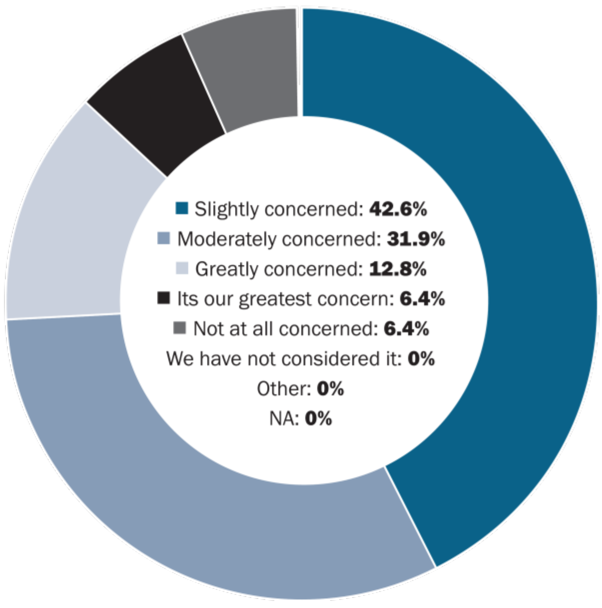
To what extent is your firm concerned about replacing retiring workers over the next several years?

While all firms seem to have at least considered the impact of retiring workers on their company, nearly half of the sample are either "not at all concerned" or "slightly concerned" about this issue. Still,

See QUESTION 2, Page 4I

Special Question 2

To what extent is your firm concerned about replacing retiring workers over the next several years?



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SURVEY RESULTS: SPECIAL QUESTIONS

SPECIAL QUESTION 3: PROGRAMS TO REPLACE RETIREES

Has your company initiated any special programs to replace retiring workers?

Some area firms are being proactive in establishing programs to address future retirements. We asked:

Has your company initiated any special programs to replace retiring workers?

Only a small percentage of firms (17 percent) report having initiated special programs designed to replace retiring workers. These efforts are likely to increase in coming years as a growing share of workers reach normal retirement age. Comments to this special question include:

» Early retirement program to manage retirement timings.

» Not yet.

» Internships, mentorships, talent acquisition pipelines.

» My department did a formal review of each position as the staff person retired.

» We are grooming experienced, hands-on technical people for jobs that most companies would hire college level. Moved one to the office that way last week. So far, so good. Hired another (employee) this week specifically to groom for future office position. Will do this through classes, seminars and in-house training.

» Just word of mouth and small ads through the unions we belong to.

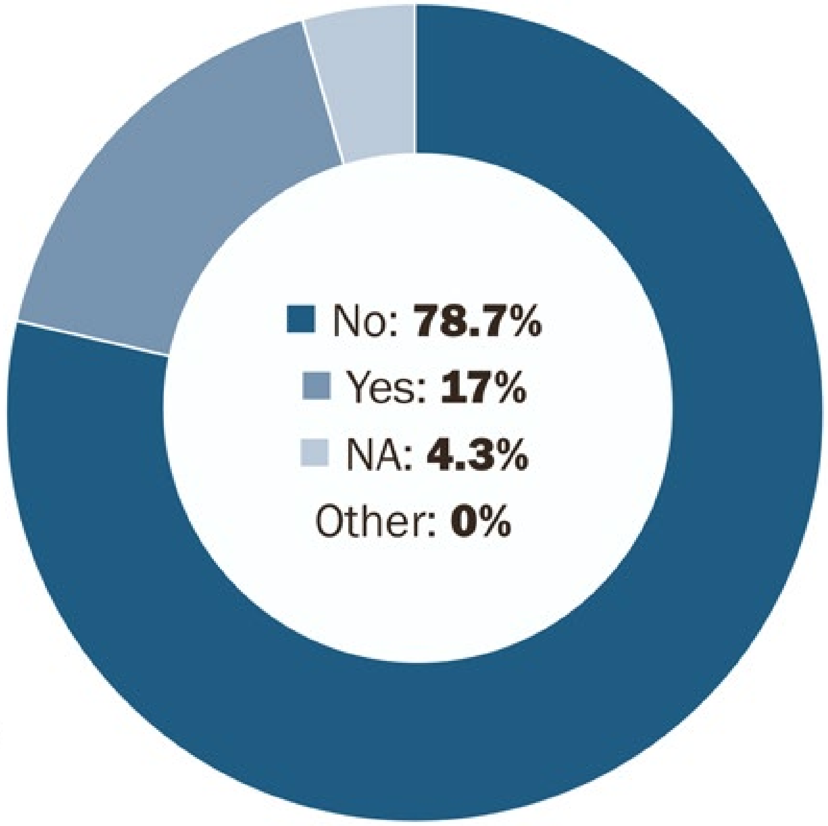
» Continue to offer more benefits and perks to the younger employees so they stick around.

» Growth is difficult.

Only a small percentage of firms report having initiated special programs designed to replace retiring workers. These efforts are likely to increase in coming years as a growing share of workers reach normal retirement age.

Special Question 3

Has your company initiated any special programs to replace retiring workers?



Question 2

From Page 3I

this leaves a majority of surveyed firms who express at least moderate concern about replacing retiring workers. For example, 32 percent of firms are "moderately concerned" and another 13 percent are "greatly concerned" about upcoming worker retirements. Another 6 percent of firms consider this to be their "greatest concern." These results suggest strong potential for ongoing coordinated efforts among area business leaders, workforce offices, regional schools, colleges and universities, and economic development officials in addressing employer concerns about replacing a growing share of their workforce in coming years. Comments from area firms to this special question include:

» We have had recent and have been able to attract/grow talent to replace.

» We can't find qualified (personnel in our industry).

» Agency has already replaced five retired workers in the past two years.

» The whole work ethic and philosophy of the replacement people has changed. The retiring people often started out learning their trade hands-on. The replacements learned through college and have less practical, hands-on, learn-through-my-mistakes background.

» There are fewer young people entering the construction trades.

» Need someone to replace me???

» We are working with our younger workforce to elevate their knowledge and vision, so when we do have retirements, an internal staff member will be able to step in with no issues.

» We do have a few key employees who will be retiring in the next 5-10 years.

» We are mostly optimistic, but always cautious.

» Since our percentage of older workers is smaller, we continue to cross train others to fulfill positions.

» The talent lost will be hard to replace.

» Industry is shrinking.

» We have almost no turnover. We pay better than our competition.

» We are developing our existing talent and feel retirements will be manageable.

WHAT THE DATA MEAN

CURRENT STRENGTH BUT WARNINGS ON THE HORIZON

Table 3: Employment Trends

	ST. CLOUD		MINNESOTA		TWIN CITIES	
	2000-'17 long term	Oct. '16-Oct. '17 growth rate	2002-'17 long term	Oct. '16-Oct. '17 growth rate	2002-'17 long term	Oct. '16-Oct. '17 growth rate
Total non-agricultural	0.9%	1.6%	0.7%	1.4%	0.9%	2.4%
Total private	1.0%	2.0%	0.7%	1.6%	0.9%	2.5%
GOODS PRODUCING	0.2%	3.3%	-0.5%	2.1%	-0.4%	3.5%
Mining/logging/construction	2.4%	9.2%	-0.2%	4.2%	-0.4%	5.3%
Manufacturing	-0.7%	0.5%	-0.6%	1.2%	-0.3%	2.7%
SERVICE PROVIDING	1.1%	1.2%	0.9%	1.3%	1.1%	2.2%
Trade/trans/utilities	0.6%	-0.7%	0.2%	0.9%	0.2%	1.8%
Wholesale trade	1.8%	4.5%	0.3%	0.8%	0.2%	0.9%
Retail trade	0.1%	-1.3%	0.1%	1.8%	0.2%	2.3%
Trans/ware/utilities	1.3%	-4.7%	0.5%	-1.4%	0.4%	1.5%
Information	-2.5%	-2.7%	-1.7%	-1.8%	-1.6%	-1.1%
Financial activities	1.3%	-1.3%	0.3%	-0.7%	0.2%	-1.2%
Professional and business services	1.2%	0.1%	1.5%	0.7%	1.7%	2.9%
Education and health	3.2%	5.4%	2.7%	2.5%	3.2%	3.9%
Leisure and hospitality	0.5%	1.4%	1.0%	2.6%	1.4%	3.4%
Other services (excluding gov't.)	-0.3%	2.2%	0.1%	3.8%	0.5%	2.5%
Government	0.5%	-0.6%	0.3%	0.4%	0.3%	1.4%
Federal	3.0%	0.5%	-0.2%	0.9%	0.0%	1.0%
State	0.3%	-2.2%	0.8%	-0.8%	0.2%	0.6%
Local	0.1%	-0.1%	0.1%	0.8%	0.4%	1.8%

Table 4: Other Economic Indicators

	2017	2016	Percentage change
St. Cloud MSA Labor Force *October (Minnesota DEED)*	111,502	109,915	1.4%
St. Cloud MSA Civilian Employment # *October (Minnesota DEED)*	108,963	106,244	2.6%
St. Cloud MSA Unemployment Rate* *October (Minnesota DEED)*	2.3%	3.3%	NA
Minnesota Unemployment Rate* *October (Minnesota DEED)*	2.4%	3.4%	NA
Mpls-St. Paul Unemployment Rate* *October (Minnesota DEED)*	2.3%	3.3%	NA
St. Cloud Area New Unemployment Insurance Claims *August-October average (Minnesota DEED)*	400.3	467.7	-14.4%
Help Wanted Ad Lineage* *August-October average (SCSU estimate)*	2,380.7	2,390.7	-0.4%
St. Cloud Area Residential Building Permits *August-October total (Central Minnesota Builders Association)*	79	103	-23.3%
New St. Cloud Index of Leading Economic Indicators *October (SCSU) October 2001 = 100*	102.9	102.6	0.2%

Payroll employment in the St. Cloud MSA grew 1.6 percent in the 12 months to October 2017, with private employment up 2 percent. As shown in Table 3, these data are stronger than statewide averages, but below the growth rate of employment in the Twin Cities. Very strong growth in construction employment, in education and health services employment, and employment in the wholesale trade sector lead the way. Weakness was found in the transportation sector and in state government employment.

While we do not have information specific for the region, the Minnesota Department of Employment and Economic Development reports that most of the growth in the construction sector has been in the subcategory of specialty trade contractors, up 6.2 percent for the year to October 2017. These include those who pour foundations and work on building exteriors as well as equipment contractors. This latter category, which includes those who work on a building's mechanical system such as heating and cooling, is up almost 12 percent in the year. These contractors may work both in new construction and in maintenance and repairs.

Unemployment in the St. Cloud area fell to 2.3 percent in October 2017, a low not seen since the end of 1999. As seen in Table 4, similar rates were seen around the state. The same is true of the Twin Cities' unemployment rate. The St. Cloud MSA labor force grew by

See WARNINGS, Page 6I

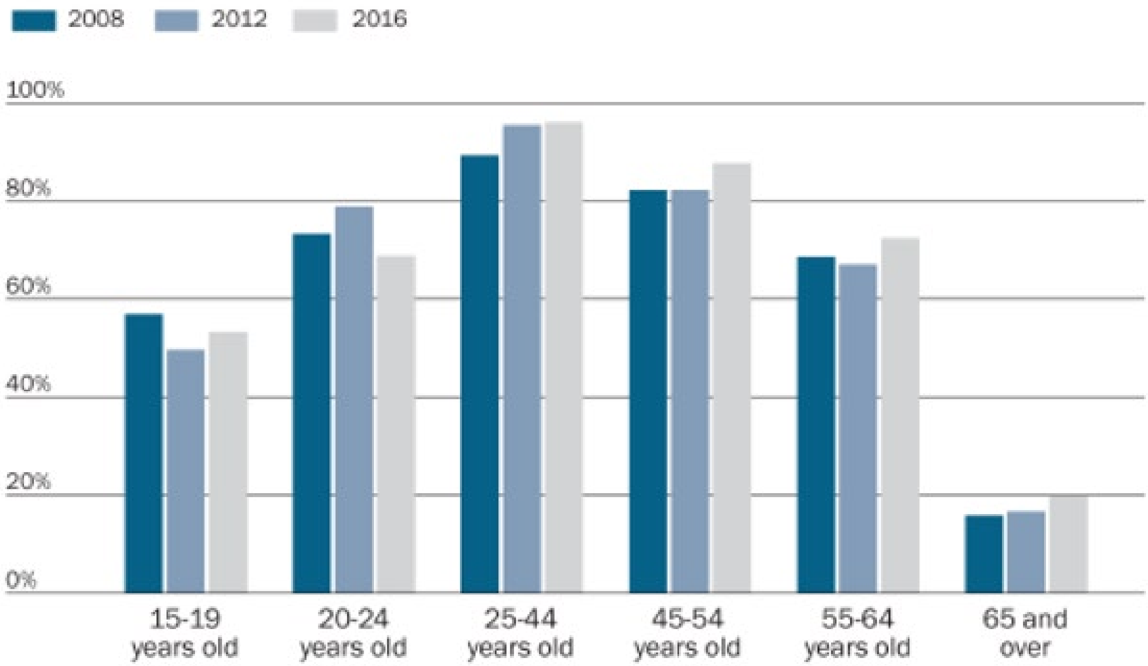
St. Cloud 12 stock price index

Nov. 16, 1994=100

WHAT THE DATA MEAN

Labor force participation rates by age

Stearns County, selected years



Workers

From Page 1I

The gain in workers of age 55 to 64 is the most striking, rising from 9.8 percent in 2004 to 15.6 percent in 2016. The share of workers who are age 65 and up has risen from under 3 percent to nearly 5 percent. Together this means that 20.5 percent of Stearns County workers were over age 55 in 2016 compared with 12.7 percent in 2004.

The population of St. Cloud is changing though, and fewer young people live in the area. At the time of the last expansion in 2004-2007, the annual rate of population growth was close to 2 percent per year. Between 2008 and 2016 population growth has been 0.6 percent per year. In that time, the share of the population aged 15 to 19 fell from 8.8 percent to 8.3 percent, while the share of the population ages 20-24 fell from 11.6 percent to 10.6 percent. Some of the drop in labor force shares for younger workers was simply demographics: There were fewer younger workers in the area.

But as the second chart shows, that is not the entire story. Labor force participation rates by age group, which we calculate using data from both DEED and the State Demography Center, show that labor force participation rates in 2016 were well below the same rates in 2008, falling 56.9 percent to 53.2 percent for the teenage cohort and from 73.3 percent to 68.8 percent for the cohort in their early 20s.

The older age cohorts, in contrast, have seen great increases in labor force participation. Of those ages 45-54, 87.7 percent were in the labor force in 2016, versus 82.2 percent in 2008. For the other two cohorts, the rate of increase has been profound, given the increase in over-55 population. The labor force participation rate for ages 55-64 rose from 68.6 percent in 2008 to 72.3 percent in 2016, and from 15.8 percent to 19.8 percent for the age cohort over age 65. Put another way, had we retained the same labor force participation of those over age 55 as we had in 2008, we would have had 1,570 fewer workers in Stearns County in 2016, a decline of 1.8 percent.

Readers will also see that there is no capacity to add workers 25 to 44 in Stearns County, since currently 96 percent of them are either working or looking for work (with an unemployment rate below 3 percent.)

These results confirm the survey information contained elsewhere in this report. We cannot estimate with accuracy the share of workers over age 55 in our sample (since we do not know how many workers are at each firm surveyed), but it would appear that our sample represents the experience at least as shown in Stearns County.

Table 5: Elements of new St. Cloud Index of Leading Economic Indicators

Changes from August to October 2017	Contributions to LEI
New claims for unemployment insurance	-0.10%
Professional employment	0.00%
New business incorporations	0.01%
Help-wanted advertising	0.00%
TOTAL	**-0.9%**

Warnings

Continued from Page 5I

1.4 percent, but employment of those individuals grew by 2.6 percent.

While construction employment has been up strongly in the year, the number of building permits for the area slid by almost a quarter in the last quarter. The St. Cloud Area Association of Realtors reported sales for the year to October 2017 were up 5.4 percent; over the last 12 months the median sales price was $166,694, up 7.4 percent from the previous 12-month average.

Indicative of a tight labor market, initial claims for unemployment insurance were down for the quarter. Help-wanted ad linage was flat for the quarter.

Initial claims were higher in the previous quarter, and that contributed the only small change to the St. Cloud Index of Leading Economic Indicators for the August-to-October period. (See Table 5.) The other three indicators were virtually unchanged.

The St. Cloud 13 Stock Price Index was up 5.3 percent in the quarter. Over this same time period the S&P 500 rose by 4.1 percent, and the Dow Jones Industrial Average was up 5.1 percent. For the year to date (which includes November, data for which was available at the time of this writing) the St. Cloud 13 Index was up 14.5 percent versus 13.9 percent for the S&P 500 and 18.3 percent for the Dow Jones. (All of these do not assume reinvestment of dividends.)

Pilgrim's Pride was the top gainer in the quarter, adding 11.9 percent. The company added another food supplier, Moy Park of Northern Ireland, to its portfolio in September. General Growth Properties, operator of Crossroads Center, lost 5.3 percent in the quarter through October 2017. On Nov. 11 Brookfield Property Partners offered to buy all the remaining shares of GGP for $14.8 billion, taking the firm private. This will have the effect of removing GGP from the St. Cloud 13 sometime next year assuming this deal is consummated.

The tightness of labor supply may be the limiting factor of economic growth at present. County unemployment rates around Central Minnesota have plunged to lows that match the worker shortages of the 1990s. Area workers are being induced to work later in life while younger workers delay entry so as to take up higher education. (Contrary to national trends, the share of disconnected youth — neither in school nor at work — among Minnesotans ages 16-24 has been declining since the end of the Great Recession.) Without an influx of new workers, businesses must turn to investment and productivity for big gains in production and sales.